

DRAFT MINUTES OF THE

TEXAS REGIONAL ENTITY ADVISORY COMMITTEE

Room 206, Met Center, 7620 Metro Center Drive, Austin, Texas 78744

September 15, 2008

Committee Members

Michehl R. Gent, Chair		Unaffiliated
A.D. Patton, Vice Chair		Unaffiliated
Mark Armentrout		Unaffiliated
Don Ballard	Office of Public Utility Counsel	Residential Small Consumer
Jan Newton		Unaffiliated
Barry T. Smitherman	Chairman, Public Utility Council of Texas (PUC)	

Commissioners, other Directors and Segment Alternates

Kenneth W. Anderson	Commissioner, PUC	
Donna L. Nelson	Commissioner, PUC	
Bob Helton	International Power America	Independent Generator
Charles Jenkins	Oncor Electric Delivery Company	Investor Owned Utility

Other Attendees

Larry Grimm, Texas Regional Entity CEO and CCO
Susan Vincent, Texas Regional Entity Director, Legal Affairs
Victor Barry, Texas Regional Entity Director, Compliance
Todd Brewer, Texas Regional Entity Senior Financial Analyst
Ryan Clay, Texas Regional Entity Senior Paralegal
Steve Byone, ERCOT VP, CFO
Nancy Capezzuti, ERCOT VP, HR & OD
Bill Wullenjohn, ERCOT Director, Internal Audit (via conference call)
Tim JohnPress, Ascendte Advisors
Mark Soutter Invenergy
Jennifer Windler

Call to Order

Chair Michehl Gent called the meeting of the Texas Regional Entity ("Texas RE") Advisory Committee ("Committee") of the Texas Regional Entity Division of Electric Reliability Council of Texas, Inc. (Texas RE) to order at approximately 2:10 p.m.

Approval of Minutes

Jan Newton made a motion for approval of the minutes from the August 18, 2008 Advisory Committee meeting; Mark Armentrout seconded the motion. The motion passed by unanimous voice vote.

Texas RE Update

Monthly Financials

Larry Grimm referred the Committee to page 6 of the Financial Report which detailed the breakdown of consultants and ERCOT fees. Jan Newton referred the Directors to line item 71 of the Texas RE August 31, 2008 Income Statement, and asked Mr. Grimm why the “Actual” amount for ERCOT Support was significantly higher than the “Budget” amount. Mr. Grimm explained that the significant increase between Budget and Actual was due to the relatively new Memorandum of Understanding between Texas RE and ERCOT, approved by the Board in July 2008, which increased the support and shared service fees paid to ERCOT by Texas RE. These fees were approved, retroactively, beginning January 1, 2008.

In response to a question by Ms. Newton, Todd Brewer informed the Committee that the \$194,000 in “Miscellaneous Other” represented the 2008 contingency reserve. Mr. Gent asked if the Board put a contingency reserve in all ERCOT and Texas RE budgets. Mr. Armentrout reminded the Committee that, because Texas RE was a start-up organization in 2007 and 2008, a contingency reserve was put in place, but other budgets do not include such a reserve. Mr. Brewer added that the contingency reserve was requested by NERC and was based on a percentage of the overall Texas RE budget.

Human Resources & Governance Issues

Nancy Capezzuti reported she met with Mr. Grimm after the last Committee meeting to discuss issues relating to attracting and retaining qualified engineers, due to concern about employee turnover experienced in 2008 and the scarcity of qualified engineers. Ms. Capezzuti said she had obtained information to create a market survey to help identify competitive salaries for qualified engineers, and she expected to be able to report back to the Committee in November.

In response to a concern expressed by Mr. Gent, Ms. Capezzuti assured the Committee that this survey was not inconsistent with ERCOT’s compensation strategy document, and that this particular survey would focus on compliance engineers as well as other electrical engineers.

Head-count / Staffing Levels

As a result of a question by Ms. Newton and a subsequent discussion by the Committee, Mr. Grimm and the Committee agreed that the Workforce Report should not list any partial FTE, but should list total headcount.

In response to a question from Mr. Gent asking if the variance, or over/under, for the Labor Hours Report represented overtime, Mr. Grimm responded that this did represent hours spent over 40 per week but that most of the additional hours were by exempt employees.

Leadership Training Workshop

Mr. Gent asked Mr. Grimm to give the Committee an overview of the activities at the recent Leadership Training Workshop that Texas RE management recently participated in. Mr. Grimm was happy to report to the Committee that the Leadership Training Workshop that was conducted by Tim JohnPress was productive, and that it addressed a number of items designed to improve team work. Mr. JohnPress gave a more in-depth overview of the Leadership Training Workshop and reported that communication within the Texas RE team is very strong and the employees are in line behind their CEO – Larry Grimm. Ms. Capezzuti reminded the

Committee that Mr. JohnPress' contract would be expiring shortly, and the Board might want to consider having him talk to the Directors at an upcoming meeting.

Mr. JohnPress informed the Committee that he did some benchmarking of the Texas RE team before the Workshop and will do another benchmark sometime before the next Committee meeting.

Texas RE Ethics Agreement

The Committee members discussed the Texas RE Ethics Agreement. Ms. Vincent confirmed that the Texas RE Ethics Agreement was based upon ERCOT's Ethics Agreement, however, there were some differences such as the definition of confidentiality, the addition of registered entities, and an expanded list of potential conflicts of interest.

Mr. Gent and Ms. Newton asked Ms. Vincent to send a comparison between the ERCOT and the Texas RE Ethics Agreements to the Directors and to include the Texas RE Ethics Agreement on the next Committee meeting agenda, in case anyone had questions.

EthicsPoint Update

Ms. Vincent informed the Committee that the Ethicspoint Compliance Hotline was operational but no complaints had been filed with EthicsPoint to date. Ms. Vincent also described the reporting structure of complaints was that Mr. Grimm and Ms. Vincent would receive notification of all complaints, unless either Mr. Grimm or Ms. Vincent were named in a report. In such a case, the named person would not receive a notice of the report. Ms. Vincent or Mr. Grimm would then provide a report to the Committee, detailing any filed complaints, at executive session of Committee meetings. Ms. Vincent explained that if any report named both Mr. Grimm and Ms. Vincent, the reporting tool currently would send a notification to Mr. Gent, as Committee Chair. The Committee discussed the topic of who should receive notifications of reports naming Mr. Grimm and Ms. Vincent, including possibly ERCOT's internal audit staff, through a shared service agreement in the Memorandum of Understanding. Bill Wullenjohn stated that Mike Grable, ERCOT General Counsel, had indicated concern with any ERCOT person receiving Ethicspoint reports on Texas Regional Entity. Mr. Armentrout asked Ms. Vincent to meet with Mr. Grable to discuss possible limited Ethicspoint reporting services by ERCOT's Internal Audit staff.

Board Training Needs

Mr. Grimm informed the Committee that Texas RE staff was preparing an updated Texas RE Orientation for new Board of Directors. Ms. Newton asked that Texas RE staff ensure that it was a high-level orientation for the new Independent Board members that could be used in the future as well. Mr. Espinosa suggested that Texas RE staff could present an overview of the division to all Board members on an annual basis, perhaps at the retreat, and Mr. Armentrout suggested that it might be useful to have brief updates on new Texas RE items. Mr. Grimm told the Committee that staff would continue to work on completing the new board member Orientation and would try to suggest some continuing education topics over the next year.

Board Self-Evaluation

Ms. Vincent notified the Committee that Texas RE staff had prepared draft Committee and Board Self Evaluation forms, to be completed at year-end, and asked the Committee members for additional input and guidance. Mr. Gent asked for Ms. Vincent to provide the Board with electronic copies and to include this topic on the October Committee meeting agenda.

Other Business

Mr. Armentrout suggested and the Committee agreed that agenda items relating to the Texas RE budget and personnel matters should be included on the Texas RE Board of Directors agenda under the Advisory Committee Report.

Future Agenda Items

Mr. Armentrout asked Mr. Grimm to update the Board Orientation and consider scheduling brief continuing education presentations over the next year.

Mr. Jenkins noted that the Executive Session minutes of the August Committee meeting needed correction to remove the names of the Market Participant Directors, who had not attended. Ms. Vincent noted that the last three names under the Other Attendees section also needed to be removed.

Executive Session

At 2:53 p.m., Chair Gent adjourned the open session portion Committee meeting and the Committee members went into executive session. All Non-Committee Directors were asked to leave the room, as well as any audience members. Mr. Gent informed all persons present that since there were no voting items to consider after the executive session concluded, the Committee meeting would not be reconvened in open session.

Adjournment

Chair Gent adjourned the Committee meeting at 3:10 p.m.

Susan Vincent, Corporate Secretary